

General Information Letter: Response to survey on Illinois income tax treatment of various federal exclusions and deductions.

April 6, 1999

Dear:

This is in response to your letter dated March 2, 1999. Given the nature of your inquiry and the information you provide, I am responding with a General Information Letter. This is not to be taken as a statement of Department policy or as a binding ruling by the Department. As general information gathered in response to your particular questions, however, I hope that it is helpful to you. See 86 Ill. Adm. Code 1200.120(b) and (c).

In your letter you have stated the following:

Each year xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx updates its files regarding wage/tax reporting to ensure the continued compliance of our clients with the various taxing jurisdictions' guidelines. We would greatly appreciate it if you would complete the enclosed survey regarding Section 125 Cafeteria Plans, Deferred Compensation and Special Compensation.

If your state/commonwealth guidelines regarding Section 125 Cafeteria Plans, Deferred Compensation and Special Compensation default to Federal guidelines, without exception, please check the box as indicated below. If you default to Federal, no further action is required regarding completion of the survey, only your signature at the bottom of this letter confirming the information you have provided.

If your state/commonwealth does not default to federal guidelines, please complete the attached survey, sign below and return this letter and the surveys to my attention in the enclosed self addressed envelope.

Your response will be most beneficial if received by us no later than March 25, 1999. If you have any questions, please contact xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx.

### **Response**

Your survey has received replies from this office in the past. There are no changes in our answers, which follow:

Illinois guidelines do follow federal law regarding Section 125 Cafeteria Plans, without exception.

1. Employee deductions for accidental Death & Dismemberment Benefits plan are not taxable and not reportable.
2. Employee deductions for Long Term Disability Plan are not taxable and not reportable.
3. Employee chooses not to participate in a given benefit plan and is given additional cash for "opting out" of the benefit. The cash payment is fully taxable and reportable.

4. Employee deductions into a Dependent Care Flexible Spending Arrangement are not taxable and not reportable.
5. Employee deductions for a Dental Benefit Plan are not taxable and not reportable.
6. Employee deductions into a group Legal Benefit Plan are fully taxable and reportable.
7. Employee deductions into a Medical Benefit Plan are not taxable and not reportable.
8. Employee deductions into a Medical Flexible Spending Arrangement are not taxable and not reportable.
9. Employee deductions for Group Term Life Insurance are not taxable and not reportable.
10. Employee deductions used to buy additional vacation days are not taxable and not reportable.
11. Employee sells extra vacation days. The proceeds are fully taxable and reportable.
12. Employee deductions into a vision plan are not taxable and not reportable.
13. Employee deductions into a Whole Life or other Life Insurance Benefit Plan are not taxable and not reportable.
14. Employee deductions for Misc. or other benefits plans under a Section 125 Cafeteria Plans are not taxable and not reportable.
15. Employee Deductions into an Adoption Assistance Spending Arrangement are fully taxable and fully reportable.

As stated above, this is a general information letter which does not constitute a statement of policy that either applies, interprets or prescribes tax law. It is not binding on the Department. If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Sincerely,

Kent R. Steinkamp  
Staff Attorney -- Income Tax